

BURNING QUESTIONS

A payoff for society

Economist touts early childhood education

The Post-Crescent

Arthur Rolnick is an economist, not an educator. But, through research, he's become a passionate spokesman for the benefits of early childhood education.

Rolnick, the senior vice president and director of research at the Federal Reserve Bank of Minneapolis, says investing in it not only brings educational benefits for students, but it brings economic benefits for society.

Rolnick advocates for a private-public partnership that would provide scholarships for at-risk kids to attend high-quality programs as 3- and 4-year-olds and mentoring for their parents.

He was in Appleton last week as a speaker in the Appleton Education Foundation's Brain to Five speaker series and talked with *The Post-Crescent* about his research and his advocacy.

Here's an edited transcript of the interview:

Why is a financial guy talking about early childhood education?

It goes back about nine years. There's a group of us in the Twin Cities who would get together for lunch about once a month and we'd invite a politician, a CEO, an educator to talk about their passion, what they're doing. We had a speaker who's the executive director of an organization called Ready for K. It was an organization put together by a former governor of the state, Al Quie, and a former mayor



Post-Crescent photo by Wm. Glasheen

INVESTING IN EARLY CHILDHOOD EDUCATION can produce a major economic return, says Arthur Rolnick of the Federal Reserve Bank of Minneapolis.

of Minneapolis, Don Fraser. Al is a Republican, Don is a Democrat. It was a bipartisan approach arguing for more public dollars to early childhood education development.

I, naively listening to their talk, raised my hand and said,



Arthur Rolnick
Expert in early childhood education

On the Web

You can watch the entire interview with Arthur Rolnick by going to www.postcrescent.com/livestream.

QUESTIONS: Early childhood education pays off

From B-1

"You're pretty much making a moral argument. It's the right thing to do." And I said I didn't think that would take you very far politically. I really think you have to get at the economics of it. Too many other issues you can make moral arguments about. You can make moral arguments about investing more in K through 12, higher education, reducing crime, pollution. The policymakers needed numbers, needed research, needed evidence that the intervention is going to work. Without that, I didn't think it would have political legs.

Well, that was a mistake on my part because they started calling me up to say, "OK, Art, come on the board and help write the background paper." I tried to explain to them that my expertise was pre-Civil War banking. I knew absolutely nothing about early childhood education. In fact, if you had asked me before I got into this area about education, I would have thought K through 12 or higher ed. But it was hard to say no and I ended up writing this paper.

I thought it was going to be fairly straightforward. I thought the literature was going to be pretty clear. I took an economic lens to it but basically wrote the paper and gave it to them. Little did I know that they were going to push it out around the country, around the world. I've been to virtually every state. I've been to a number of countries around the world, speaking on this topic.

What did that study show?

For many years, I had been very critical about the ways cities and states around the country promote economic development. I've argued that, when states try to just lure each other's businesses across state lines, that

from a national perspective, no new jobs, just move them around, that billions of dollars around the country are going for that economic bidding war that's zero public investment.

With that economic lens, I said, "Let's take a look at early childhood development." In fact, what we said basically was that early childhood development was economic development with a very high public return. We took a look at a number of longitudinal studies on early childhood development.

Let me mention one. It's a classic but they all follow the same results. This is known as the Perry Preschool Study. It was started in the early 1960s in Ypsilanti, Mich. They took 123 at-risk children, they randomly divide them into two groups. One group gets a very high-quality program, master's level teachers, home visits, a lot of focus on the parent. And followed these kids for 30, 40 years. So there's a control group and there's a program group. What the literature shows is that they children who were in the program group that had the high-quality early ed program were less likely to need special education, were less likely to be retained in the first grade, were more likely to be literate by the sixth grade, graduate high school, get a job, pay taxes, raise a family, stay off welfare. The crime rate between the program group and the control group goes down 50 percent.

Economists put dollar values on everything, right? So when we put a dollar value on the cost of the program, in today's dollars, about \$11,000 per year — it was a two-year program of 3- and 4-year-olds. So it's a \$22,000 investment. And we asked a very simple question. What was the return on the investment? So we could put dollar values on special ed, dollar values on not having to re-

tain a child, dollar values on a child graduating high school, getting a better job, staying off welfare and the crime reduction, which is the biggest benefit. Most of these benefits actually are benefits to society, not simply to the child.

Under certain conditions, with that kind of information, you can back out a return on the investment, the annual rate of return, inflation adjusted. If you look at the stock market, post-World War II, on average, the annual rate of return is about 5.8 percent. We figured if we beat 5.8, we're doing pretty well. We figured maybe we'd get 7, 8. We got a 16 percent return out of that study.

Now that's just one study and critics said that is just one study, small sample size, but still, we got very significant results. It turns out there are four longitudinal studies like this. We looked at all of these studies and found that they ranged from 7 percent return all the way up to 20 percent. Clearly, we can beat the stock market and I know we can beat the economic bidding war in which we just simply move companies around. It looks like we have an economic development program that we've ignored.

How much is needed to make a sustainable difference?

We put numbers around this and we advocated an element, so it's permanent, that would generate enough funds every year. We have a very simple idea of how to make this work. We would give scholarships for at-risk children, for 3- and 4-year-olds to go to a high-quality early ed program. At the Minnesota Early Learning Foundation, we started a rating system that eventually is going to go statewide, called Parent Aware. It's a four-star rating system, and to get our scholarship kids, you have to

have a three- or four-star rated program.

Given existing resources, we estimate that if we had an endowment of about \$1.5 billion, once we have that endowment, the interest on that would fund every child in poverty with a scholarship for a high-quality early ed program in perpetuity.

It may sound like a lot of money. The state of Minnesota generates about \$260 billion a year in gross state product. We're a very wealthy economy. And I like to point out that the cost of the Twins' and the Vikings' and the new Gophers' stadium is \$1.5 billion. So we can afford it, but it comes back to the question of priorities and, politically, how do you sell this?

The way we've designed this program, you can start small, with the most-at-risk kids. We started a pilot in St. Paul in a low-income area. We've got about 635 families in that program. The nice thing about this is that you can start it small and build it over time. You don't have to invent a whole new system. You empower these parents.

I should point out we do more than just scholarships. There's an awful lot of research done by the neuroscientists on brain development that for the most-at-risk kids that we're aiming at, 3 and 4 years old is too late, that you really have to get at them prenatal to 3. So our scholarship program is really scholarships and mentors. Our families get a mentor, when we can, prenatal, a home-visiting nurse that works with that family. We've already got results showing we can reduce the number of low-birth-weight babies and we can reduce infant mortality.

What I'm talking about with various communities around the country is start small, do it right, it's easy to scale up. I know it's replicable and I know it's easy to scale up.